Overview: 1915 b/c Medicaid Waivers

Joint Appropriations House and Senate Subcommittee On Health and Human Services

February 27, 2013

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

1915 (b)(c) Medicaid Waiver: Legislative Action

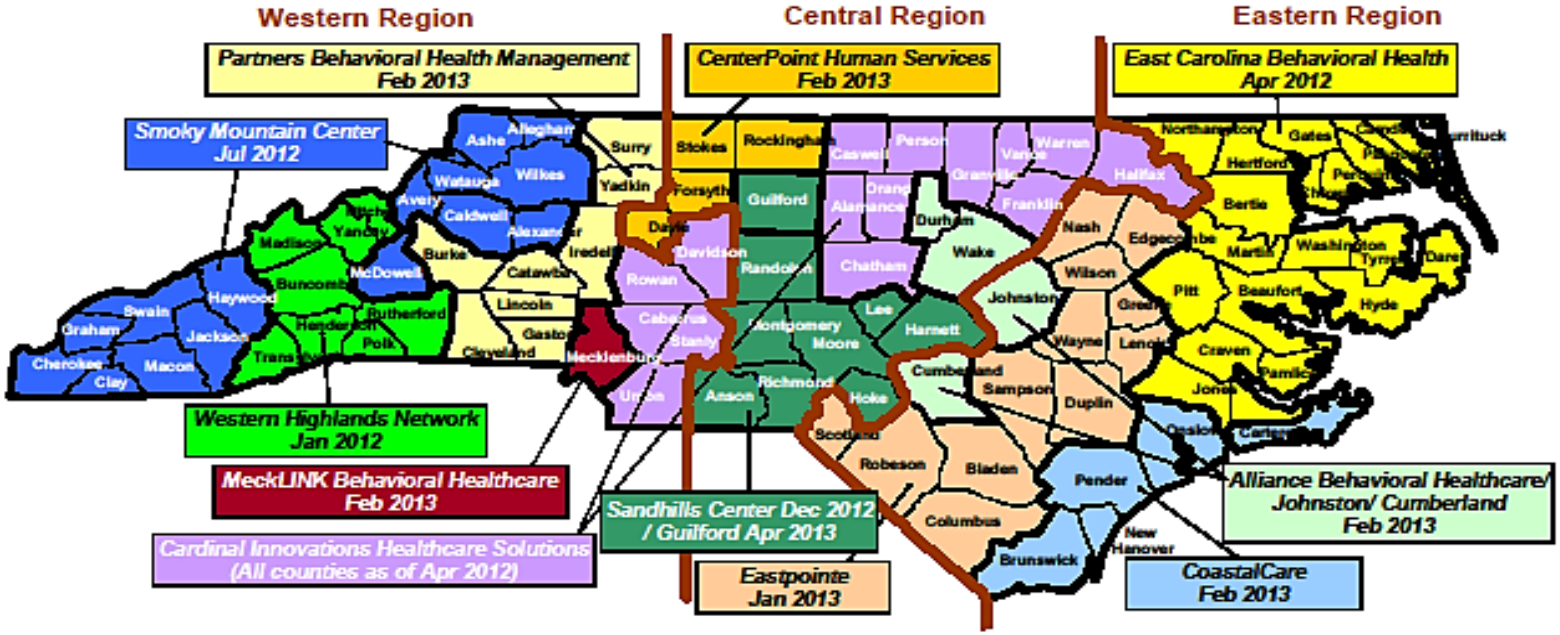
- Under the 1915 (b)(c) Medicaid waiver, NC can enroll Medicaid participants into managed care plans and limit the number of providers who can serve them. In addition, the waiver allows Medicaid funds to provide home and community-based services to persons who might otherwise be placed in an institution.
  - In 2005, DHHS piloted a Medicaid 1915 (b) (c) waiver operated by Piedmont Behavioral Health (PBH) to provide behavioral health, e.g. mental health, developmental disabilities, or substance abuse treatment, services to persons living in Cabarrus, Davidson, Rowan, Stanly, or Union Counties.
  - The pilot demonstrated that quality behavioral health services could be effectively provided in a cost-efficient manner, resulting in Medicaid cost savings
- During the 2011 Session, the Legislature passed HB 916, S.L. 2011-264, which mandated the state wide expansion of the 1915 (b) (c) waiver to be fully implemented by June 30, 2013

1915 (b)(c) Medicaid Waiver

- Based upon population size, 23 LMEs have consolidated since 2011 to form 11 managed care organizations (MCO)
  - Catchment area minimum population size: 500,000

- MCOs receive their Medicaid funds in the form a capitated allocation. In addition, they receive a separate, combined allocation of State, federal block grant and other funding to be used to provide behavioral health services that are not covered by Medicaid, including services to individuals who are not eligible for Medicaid
  - MCOs are responsible for managing their funds within capitation budget and must cover any cost overruns with their own resources, e.g. mandated risk reserve, fund balances
    - HB 916 specifies that county governments are not financially liable for MCO cost overruns
  - Any operating budget surpluses are retained by the MCO

Local Management Entity - Managed Care Organizations (LME-MCOs) and their Member Counties (Current and Proposed on February 1, 2013)



- *For proposed LME-MCOs that have not yet merged, the lead LME name is shown first.*
- *Sandhills Center and Guilford are scheduled to merge on January 1, 2013.*
- *Dates shown through December 2012 are actual Waiver start dates.*
- *Dates after December 2012 are the planned Waiver start dates.*
- *Reflects plans and accomplishments as of December 6, 2012.*

6

DMA

Managed Care Organizations (MCOs)

Authority and Responsibilities

- establish a provider network
  - May limit the number of service providers
- Contract with providers for services, including hospitals and state operated facilities
- Set rates for services
- Impose prior authorization or other utilization management approaches which may restrict the type and amount of services to be provided
- Coordinate care
- Pay provider claims
- Establish and maintain an IT system
- Monitoring and quality assurance
- Maintain a website to provide consumer information

DHHS Funding for LME/MCO's

- LMEs/MCOs manage State, federal, Medicaid, and local/county funds
  - Responsible for authorizing services, maintaining provider network, monitoring service quality, customer service, etc.
- FY12-13 Funding for LMEs/MCOs:
  - Medicaid: $2.1 billion
  - Community Service Funds: $340 million
    - Includes federal block grant funds
    - Funding has decreased by $78 million, almost 20%, since 2000
  - Administrative Funding: $98 million
    - Includes funds provided to support MCO mergers

Budget Impact

- S.L. 2011-145, the 2011 Appropriations Act, reduced the Medicaid budget in both years of the biennium in anticipation of savings due to implementation of the 1915 (b)(c) waiver:

FY11-12	**FY12-13**
($10,537,931) R	($52,551,082)

- S.L. 2012-142, the 2012 Appropriation Act, adjusted the FY12-13 reduction by $1,700,000 NR to reflect the impact of delays in the LME/MCO conversion process
  - Estimated impact of current year conversion schedule delays will decrease anticipated savings by an additional $11.7 million

- S.L. 2012-142 also reduced the DMH/DD/SAS budget for LME administrative expenses in anticipation of savings from the transition to MCOs ($8,497,935) R

Questions

Denise Thomas, Principal Fiscal Analyst

Fiscal Research Division

(919) 733-4910